

Proposed
Five Year Financial Plan



2009-2010 through 2013-2014

May 13, 2008

CITY OF SANTA CLARA
Proposed Five Year Financial Plan

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Introduction





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May 3, 2008

Honorable Mayor and City Council
City of Santa Clara
Santa Clara, California 95050

Subject: City of Santa Clara Proposed Five-Year Financial Plan
2009-2010 through 2013-2014

Members of the City Council:

Submitted for your review is the Proposed *City of Santa Clara Five Year Financial Plan 2009-2010 through 2013-2014* (Plan). The Plan is a comprehensive presentation of the projected financial activity of the City's General Operating Fund over the indicated five-year period. This year's Plan submission reflects the financial impact of the current economic slowdown, forecasts a return to gradual economic and revenue growth, and incorporates City departments' continuing efforts to control operating expenditures. Because of the economic downturn in 2007-08, the proposed Plan provides a less optimistic view of the City's financial situation than last year's submission. Staff had concerns last year about the ability to continue to realize General Fund surpluses if the economic recovery faltered. The Plan forecasts the General Fund will run deficits totaling approximately \$9.1 million as operating and maintenance expenses outpace revenues.

Due to the current economic slowdown, Staff projects a deceleration in overall revenue and an actual decline in sales tax revenue in fiscal years 2007-08 and 2008-09. Given the recent downturn and a return to historical norms, the City is forecasted to experience operating deficits requiring transfers from the Working Capital Reserve during the Plan period. It is still too early to tell if

there will be a more severe slowdown or quicker recovery. During the prior economic downturn, the Working Capital Reserve was significantly depleted to help balance the budget. City Council has as one of its priorities to balance the budget without the use of Working Capital Reserves and to begin replenishing the Working Capital and General Contingency Reserve for Capital Projects. For the time being, this goal may be forestalled as the City considers its ability to maintain balanced budgets.

For fiscal year 2007-08 a surplus of \$4.2 million is forecast followed by a smaller surplus of \$261 thousand in fiscal year 2008-09. However, during the Plan period starting in 2009-10 and continuing through 2013-14 Staff forecasts the General Fund will run deficits totaling approximately \$9.1 million as operating and maintenance expenses exceed revenues. The expenditure assumptions in the Plan reflect the current Memoranda of Understanding and recognize City efforts to contain costs by continuing to freeze approximately 27.5 positions, by keeping costs for contracts, materials, supplies and capital outlay at or below CPI inflation and by deferring non-essential capital projects in the Capital Improvement Program. Salaries and benefits remain the most significant operating expense and in the latter part of the Plan the new Bayshore North Branch Library and the updated International Swim Center are projected to add an additional \$1.4 million in operating and maintenance expenses. The Plan's revenue forecast assumes increases in property, sales and transient occupancy taxes close to historic averages, fees and customer service charges more reflective of the costs for City services, and increases in rent and lease revenue based on current agreements. The current Plan projects cumulative deficits totaling \$9.1 million. The result is to balance the General Fund operating budget, the estimated balance in the Working Capital Reserve is forecasted to decrease from \$20.7 million in June 2008

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to \$12.1 million by June 2014. The projected balance of the Working Capital Reserve at the beginning of fiscal year 2013-14 represents approximately 8.5% of the General Fund operating budget compared to the 25% minimum under Council's policy for the Working Capital Reserve. However, should economic growth be more robust than currently forecasted, the deficit may be significantly reduced or eliminated.

As of June 2008 the balance in this fund is estimated to be \$7.7 million. If all the projects in the Plan were approved, the balance in the General Contingency Reserve for Capital Projects would be depleted sometime in fiscal year 2009-10. Staff will present capital financing options to City Council at the May 13, 2008 Study Session regarding the Capital Improvement Project Budget for 2008-09.

The Five Year Financial Plan provides City Council with the necessary long-term perspective and analytical information to address the City's long-term capital and operating needs. While this Plan focuses on the financial position and outlook of the General Operating Fund, a limited presentation of the City enterprise funds has been included in Appendix A. The Plan was developed through careful analysis of available historical information and current and projected economic assumptions from various independent sources. Based on this financial and economic analysis, a comprehensive projection of City resources and expenditures was made for the Five-Year Plan period. In addition, the Plan presents a five-year summary of capital improvement project costs and their estimated funding sources and a *Summary - Net to be Funded* schedule (page 18), which identifies project costs that currently have no specific funding source. A five-year projection of flow of funds and end of fiscal year balances in the General Contingency Reserve accounts (page 19) is presented.

Economic and Financial Analysis

The Bay Area economy, and in particular the Silicon Valley region, continues to grow, although slowly. Growth in fiscal year 2008-09 is projected to be flat or exceptionally weak, with the increased possibility that the City may be working its way out of a mild recession. During the Plan period, regional economic growth is forecasted to be moderate but with the Silicon Valley projected to be somewhat stronger than the rest of the region or the State as a whole. Inflation is also expected to remain moderate but income growth flat to weak during fiscal year 2008-09 but strengthening during the Plan period. The major risks to the regional economy are the duration of the housing slump, the severity of the continued turmoil in the financial sector, and any increases in interest rates, all which would negatively impact local economic growth. Job growth in the Bay Area and Silicon Valley is expected to be slow in fiscal year 2008-09 but gradually improving as the economic situation improves during the Plan period.

This year's Plan reflects the current decline in the economy but anticipates gradual growth during the Plan period. However, the growth in revenue is not expected to be sufficient to cover General Fund operating expenses despite efforts of City departments' to identify additional operating efficiencies. The result is a forecasted structural deficit totaling \$9.1 million during the Plan period. This forecasted deficit impacts not only the operating budget but also the ability of the City to fund capital projects as well as support the operation and maintenance costs associated with new facilities. While this scenario is based on a number of assumptions that might change, staff will be carefully monitoring the current financial situation, including evaluating various alternatives to address the City's capital financing needs. A detailed discussion of the methodology employed and the attendant issues and factors considered in developing this Plan is presented in the Financial, Economic, Demographic and General Discussion section of the report (pages 1-10).

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General Operating Fund Results

For fiscal year 2007-08, the General Fund forecast is for a surplus of \$4.2 million followed by a minimal surplus of \$261 thousand in 2008-09. These surpluses are the direct result of two events: 1) the City's cost control efforts over the last several years which have been focused on restraining operating and maintenance expenditures and 2) improvements in local economy which resulted in increased revenues in several key areas including property tax, sales tax, transient occupancy and contribution in lieu of taxes. The recovery faltered in the fourth quarter 2007, and results are not as positive. During the Plan period, because of the current economic slowdown, revenues will not be sufficient to meet the City's General Fund operating expenditures and the General Fund will begin to experience operating deficits.

During the Plan period, General Operating Fund resources are expected to grow at an average annual rate of approximately 2.7%. Total expenditures are expected to grow at an average annual rate of 3.0% over this period. The result is the General Operating Fund is forecasted to run a deficit during the Plan period totaling \$9.1 million.

From June 2007 through the end of the Plan period, the balance in the Working Capital Reserve is expected to decrease from an estimated \$20.7 million to \$12.1 million. This represents a decrease in the fund's balance from approximately 13.9% of the General Fund Operating Budget in fiscal year 2008-09 to approximately 8.5% at the beginning of fiscal year 2013-14 compared to the 25% needed to meet the City Council's policy concerning Working Capital Reserve requirements. These projections are shown in Schedule A, Ten Year Resource and Expenditure Trend (pages 12 and 13). The forecast may change depending on future economic activity, the ability of the City to continue to contain costs or other unanticipated events that may impact the City's financial position. Staff will continue to carefully monitor the City's current and long-term financial situation.

Capital Improvement Project Funding

Schedule B, Proposed Capital Project Costs (page 16), summarizes the total cost of capital improvement projects during the Five-Year Plan period and the amount of legally designated monies to fund some of the projects. This year's Plan reflects the City's commitment to provide a program that meets the City Council's goals while adjusting to the current and forecasted fiscal constraints. Schedule C (page 18) identifies the "Net to be Funded" amount, or the remaining balance of project costs still needing City funding. Essentially, if these projects were approved, the unfunded project costs would be greater than available resources, including the General Contingency Reserve for Capital Projects, starting in fiscal year 2009-10. Alternative financing sources such as debt issuance would have to be identified to fund these projects. As of June 30, 2008 Staff estimates that the balance in the General Contingency Reserve for Capital Projects account will be \$7.7 million. After appropriating funds of \$6.7 million for 2008-09 capital improvements, as proposed, the balance would be \$1 million. The minimum balance in the General Contingency Reserve for Capital Projects required to be in compliance with City Council policy is \$5 million.

Significant City Issues/Policy Items

The financial and economic conditions forecasted in the Plan project that the City's long-term financial condition will result in a combined deficit of \$9.1 million during the Plan period. Despite City department efforts to control costs, revenue growth is not sufficient to provide the resources to fund General Fund operating expenditures during the Plan period. This structural deficit will result in the Working Capital Reserve being further depleted and decreasing from \$20.7 million in June 2008, to \$12.1 million in June 2013. To achieve a balanced General Operating Fund budget during the Plan period will require transfers from the Working Capital Reserve, several years of higher than forecasted economic growth and a disciplined approach to the City's operating and capital expenditures. This portends the need to continue to

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carefully manage expenditures and monitor the City's revenue picture to be able to maintain the City's fiscal integrity. On the expense side salaries and benefits, including retirement and retirement health benefits, remain the main cost drivers of the General Operating Fund during the Plan period. In addition, two major capital projects, the new Bayshore North Branch Library and the updated International Swim Center are projected to add an additional \$1.4 million in operating and maintenance expenses. Costs for annual debt service are not included in the plan, since no decision has been made on the method to fund the International Swim Center.

Major capital improvement projects in the Plan include expansion of the City's Green Program, construction of the North of Bayshore Library to provide a branch library to area residents, design of an updated International Swim Center with 4 new pools, and continuation of the South of Forest neighborhood improvement project to upgrade streets to City standards, improve drainage and increase safety of pedestrians and vehicular traffic. The City will also continue financing its First Time Home Buyers program to provide mortgage financing to qualified first time home buyers. The Bill Wilson Center Commons Project is a 28 unit apartment complex being renovated for use as permanent housing for youth transitioning out of foster care and moderate income staff counselors who mentor youth residents.

While new residential development in the City is necessary, it will also require additional General Fund expenditures to meet the costs associated with the increased demand for recreation, police and fire services. These costs are in addition to those already estimated in the Plan.

Another major initiative, included in this year's capital plan, is the expansion of the City's Green Program, which includes light emitting diode traffic signals, energy saving HVAC, lighting and window treatments at the Triton Museum, and evaluation of the construction of a completely green office building. There are also several upgrades and new additions to the Silicon Valley Power's

infrastructure including construction of several substations, modifications to the medium voltage distribution system, modifications to high voltage power line distribution system and customers' requested fiber optic connections and extensions. The City also plans a major upgrade to the sanitary sewer system to enhance the capacity and reliability of service. Operating costs associated with these new capital projects have been incorporated into the Plan or the appropriate utilities' 5 year plan which are part of this document.

Other evolving issues that could substantially impact this Plan include the general health of the local and national economy, financing (cash versus debt) decisions, unforeseen building or infrastructure maintenance/replacement needs and City land use issues.

Concluding Comments

Given the projected General Operating Fund results and the expected Contingency Reserve Fund balances over the Plan period, staff recommends continuing the following activities:

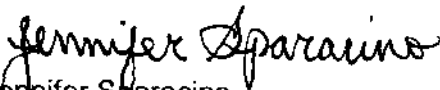
- 1) Review the five-year capital improvement project plan included in the proposed 2008-09 Capital Improvement Project Budget to assure that the projects are consistent with the City's long-term goals and objectives.
- 2) Maintain a flexible funding policy which includes:
 - Prudent spending and the value of fiscal responsibility to preserve the City's financial strength
 - Focus on long term fiscal impact and benefit to the community as a whole
 - Budget decisions made with long-term implications taken into account, using data from the Five Year Financial Plan.

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- Consider delay in opening or phase in opening of new facilities
 - Continue to implement a strategy to rebuild the General Fund Contingency Reserves for the long-term financial health of the City
- 3) Prior to adoption at the June 10th public hearing, review the City's Five Year Financial Plan for consistency with Council goals and objectives. The Plan will continue to be subject to an annual review and update.
- 4) Incorporate the Five Year Financial Plan into the fiscal year 2008-09 Capital Improvement Project Budget.

The Five Year Financial Plan is an important strategic document designed to assist Council with the important tasks of evaluating the General Operating Fund financial health, and making future resource allocation decisions. The Plan represents the continuing effort by staff to advise Council of the financial status of the City and to provide Council and City Management with a resource planning guide to address the City's long term capital and operating needs. Staff will continue to provide a monthly financial status report to Council that outlines the City's revenue and expenditure performance and cash position. The Plan is consistent with City Budget Principles endorsed by City Council. It is also consistent with Council's adopted mission and goals for the City, specifically the goal to identify and resolve issues associated with the financial health and stability of the City through responsible short and long-term planning.

Respectfully Submitted,


Jennifer Sparacino
City Manager

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Five Year Financial Forecast



FINANCIAL, ECONOMIC, DEMOGRAPHIC AND GENERAL DISCUSSION

TRENDS AND ANALYSIS

In preparing the resource and expenditure projections, and developing the recommendations presented in this Five-Year Financial Plan ("Plan"), staff analyzed results of operations from the General Operating Funds for 3 fiscal years from 2004-05 through 2006-07 and July through March of fiscal year 2007-08. The analysis focused on identifying and understanding trends in revenues and expenditures, quantifying any significant variances in these trends, and then determining the reasons for these variances, where possible. In addition, staff also considered the economic outlook of the national, state and local economies in determining future growth trends. Schedule A (page 12) provides a history of resources and expenditures of the General Operating Funds from fiscal year 2004-2005 to fiscal year 2006-07. The schedule also contains an estimate of the General Operating Fund's operating results for fiscal year 2007-08, and the proposed fiscal year 2008-09 annual budget. Based on historical operating results and an evaluation of future economic outlook data, staff has presented a projection of resources and expenditures for the General Fund for five fiscal years 2009-10 through 2013-14 (page 13).

Results of Operation

The General Fund had an operating deficit of \$8.3 million in fiscal year 2004-05 followed by surpluses in fiscal years 2005-06, and 2006-07 totaling \$11.7 million. In fiscal year 2007-08, the General Fund is expected to generate a surplus of \$4.2 million. The actual and projected surpluses are due to an improved local economy combined with the City's continuing efforts to control its operating costs. In fiscal years 2005-06 and 2006-07 the City experienced significant improvements in several key revenue sources including property tax, sales tax, transient occupancy tax and charges for current services. In fiscal year 2007-08, Staff is forecasting a decline in sales tax revenues with this trend continuing through fiscal year 2008-09. In fiscal year 2008-09, due to the sluggish economy, Staff is also projecting a decrease in sales tax revenue and slower revenue growth from property taxes, transient occupancy taxes and several other key

revenue sources. This deceleration in overall revenue combined with the projected increases in expenditures during the Plan period is forecasted to result in structural deficits in the General Fund starting in fiscal year 2009-10. During the Plan period, the resulting deficit is due primarily to operating and maintenance expenses increasing faster than revenues. The General Fund cumulative deficit is projected to total approximately \$9.1 million dollars. During the prior economic downturn, the Working Capital Reserve was significantly depleted from fiscal year 2002-03 through 2004-05 to help balance the General Fund budget. The balance in the Working Capital Reserve is forecasted to decrease from \$20.7 million in June 2008 to \$12.1 million in June 2014. In fiscal year 2013-14 the estimated beginning balance for the Working Capital Reserve will represent approximately 8.5% of General Fund budgeted expenditures compared to the 25% per City Council policy. Salaries and benefits remain the most significant operating expenses, while in the latter Plan period, the addition of a new Bayshore North Branch Library and the updated International Swim Center are projected to increase operating and maintenance costs by \$1.4 million. These projected deficits may be eliminated if economic growth is significantly stronger than projected, and/or projected increases in operating expenditures are moderated because of additional efficiencies or cost control measures. The current expenditure assumptions in the Plan reflect the City's efforts to contain costs by continuing to freeze approximately 27.5 positions and deferring non-essential capital projects in the Capital Improvement Program. The Plan's revenue forecast assumes increases close to their historic averages for property, sales and transient occupancy taxes, increases in fees and customer service charges more reflective of the true costs for City services, and increases in rent and lease revenue based on current agreements. The Plan projects a cumulative deficit of \$9.1 million, and several of the City's key revenue sources, including sales tax and transient occupancy tax, are still not projected to reach the peak levels realized in prior years. In addition, if all the capital projects are approved, the General Contingency Reserve for Capital Projects will be depleted sometime in fiscal year 2009-10. Staff will continue to identify further measures that must be taken to address the City's financial situation.

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For a better perspective on Silicon Valley's economic condition, key economic indicators, such as total jobs, median household income, venture capital investment and commercial vacancy rates are analyzed each year in Joint Venture's Index of Silicon Valley. The indicators in the 2008 Index of Silicon Valley provide valuable data on the Silicon Valley's overall economic health over the last few years. They show the Silicon Valley economy continues to expand while employment growth shifts to new areas. Total employment in semiconductors and the computer hardware sectors continued to decline while the software and services in design and innovation support sectors continued to grow. From 2005 to 2006 median household income grew by two percent to \$82,486. From 2006 to 2007, venture capital investment was up 11%, with Cleantech investment up over 94%. From the first quarter of 2006 to 2007, total job growth increased 2.1% and commercial vacancy rates declined 1.3% but remained 6.5 times the vacancy rate in 2000. For this same period vacancy rates for R&D space showed the steepest decline, decreasing by 11.5%. Finally, from 2006 to 2007, productivity as measured in value added per employee was up 2% in Silicon Valley. As seen from these long term economic indicators, the Silicon Valley economy has steadily improved over the last few years. However, more recent economic data indicates that the local economy is beginning to slowdown. The once strong housing and construction sectors have deteriorated significantly and this has spilled over into the mortgage and financial services sectors. Retail sales have also begun to slowdown both locally and nationally and regional job growth is expected to weaken significantly over the next year. Current prevalent economic opinion is that the local economy will experience a slowdown over the next 9-12 months but should recover early in the Plan period. While restructuring and economic slowdowns are not new to Silicon Valley, this ongoing economic slowdown is expected to be short lived and not have any major long-term negative impact on employment in Silicon Valley. During the Plan period, high-tech sectors such as green clean and biotechnology should also continue to grow and innovate.

The Association of Bay Area Governments' has a similar economic forecast. It is forecasting that the San Jose region will experience

slower growth across the board but will be one of the brighter spots in California's economy. In fiscal year 2008-09, City revenues are expected to be up only slightly over fiscal year 2007-08. However, sales tax revenue, the City's largest source of revenue, is expected to decline compared to the prior fiscal year. This is due to the economic slowdown which is expected to be short lived. Because of the Silicon Valley's unique ability to redefine itself, the local economy should be back on track early in the Plan period. The Plan reflects revenue increases based on a gradually growing economy. Revenue increases are projected to approach long-term historical averages for growth. Increases in the City's operating expenditures including materials and supplies, salaries, health and retirement benefits reflect CPI based inflation and current MOU agreements. Additional operating and maintenance expenses are included for key capital projects coming online during the latter part of the Plan period. During the early part of the Plan period, it is expected that regional economic growth will slightly outpace that of the national economy. National and regional economic statistics from the Association of Bay Area Governments and Congressional Budget Office are presented in more detail in the economic conditions section.

General Operating Fund Resources

General Operating Fund resources include General Fund revenues plus transfers from other City funds. Consistent with current economic forecasts, the Plan reflects a slowly growing regional economy. During the Plan period, General Operating Fund resources are expected to grow at an average annual rate of approximately 2.7%. These growth estimates assume a brief economic slowdown over the next 9-12 months with a return to regional historical growth rates early in the Plan period. During the early part of the Plan, projected regional economic growth is expected to exceed that of the national economy. Staff forecasts continued growth of local sales and transient occupancy taxes which are particularly sensitive to changes in national and local economic conditions. Other revenue sources, including property taxes, contribution in lieu of taxes, rents and leases and charges for current services, which experience much less volatility when economic conditions change, are also expected to grow at historical average growth rates during the Plan period. A more

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detailed discussion of the major General Operating Fund revenue sources including property tax, sales tax, transient occupancy tax, interest income, rents and leases and contribution in-lieu of taxes follows.

Property Tax and Motor Vehicle License Fee Swap

In fiscal year 2007-08, Staff forecasts the City will receive \$27.6 million in property tax revenues. This figure includes both revenue from local property taxes and the Vehicle License Fee backfill which is now considered as property tax and paid by the County for the loss of motor vehicle license fees. From fiscal year 2007-08 to 2008-09 property taxes are projected to increase from \$27.6 million to \$28.6 million, or 3.5%. From 2008-09 through 2013-14, Santa Clara should continue to enjoy an average growth rate of 3.50%, which is slightly lower than the average historical growth rate for property tax. During the Plan period the City should continue to benefit from flatter but still positive increases in assessments for the City's residential real estate sector. Overall, the residential sector is projected to continue to increase in value despite a more turbulent mortgage market and some negative reassessments on specific residential properties purchased over the last couple of years. However, these future growth rates for assessments of residential property are expected to be significantly lower than those experienced by the City over the last few years. During the Plan period commercial/industrial real estate is expected to regain momentum and the assessed values for these properties are also forecasted to rise. This sector was particularly hard hit during the last economic recession, has begun to recover, and is poised to rebound over the next few years. Finally, since fiscal year 1992-93 the State has shifted a portion of the City's property tax revenue to fund public schools. As a result, of this continuing shift in City property taxes to ERAF, the City's General Fund will lose approximately \$4.2 million in fiscal year 2007-08. Since the inception of this ERAF program, which shifts revenues to the State, the City has lost approximately \$44.1 million.

Sales Tax

Sales tax revenue performance is directly linked to the economic and business cycles. It remains the City's most significant source of

revenue as well as one of its most volatile. Fiscal year 2007-08 sales tax revenues are forecasted to be \$40.7 million, down 5.8% from the prior year. However, adjusting for a \$505 thousand decrease due to an overpayment made to the city in fiscal year 2006-07 by a major department store the percent decrease from the prior fiscal year is approximately 4.7%. This figure is consistent with the downturn in general retail sales, construction related sales and business to business sales in the national and local economies. The strength of business to business sales activity remains key to achieving continued economic growth and improved local sales tax revenue next year and throughout the Plan period. Locally, business-to-business sales were particularly hard hit during the economic downturn and remain considerably below prior year peaks. The current turmoil in the housing and financial related sectors now seems to be negatively impacting sales tax receipts in the City which was down 8.6% from the fourth quarter of 2006 to 2007. The result is a further drag on local economic growth and sales tax revenue. The Association of Bay Area Government's (ABAG) Economic Outlook is forecasting no income growth for the region in 2008 with the possibility of a mild recession. For 2009 ABAG is forecasting a modest 0.5% increase in income growth. While this economic slowdown is expected to be short lived, Staff projects from fiscal year 2007-08 to 2008-09, sales tax revenues will decrease by 1.0% to \$40.3 million. This figure includes a negative adjustment by the State of approximately \$1 million based on the triple flip payments made in fiscal year 2007-08. The projected sales tax figure is consistent with estimates from MBIA MuniServices, the City's sales tax consultant. During the Plan period sales tax growth is expected to return to historical growth rates and City sales tax revenues are projected to grow steadily. While growing consistently throughout the Plan period, sales tax revenues are still not projected to reach the peak levels in fiscal year 2000-01. During the Plan period the forecast projects an average increase of 4.0% in sales tax revenue. This growth rate is close to the City's long-term historical average for sales tax.

Transient Occupancy Tax

Transient Occupancy Tax (TOT) revenue estimates of \$11.5 million for fiscal year 2007-08 represent an increase of approximately \$1.1

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million or 11.1% compared to fiscal year 2006-07. This increase in TOT receipts is due to both higher average occupancy rates and an increase in average daily lodging rates, a direct result of the continued strength of business travel in our area. Compared to December 2006 average daily lodging rates in the San Jose/Peninsula area, excluding San Francisco Airport, lodging rates in December 2007 were up 5.4%, and average occupancy rates were up 5.8%. However, recent information about hotel occupancy rates in the Santa Clara shows occupancy rates declining 1% to 4% over the last quarter. Compared to the City's peak fiscal year 2000-01 when \$14.8 million was received, the \$11.5 million in estimated TOT revenues for fiscal year 2007-08 is \$3.4 million or 22.7% below the peak year.

For fiscal year 2008-09 TOT revenues are estimated to be \$11.8 million, 3.0 % over the fiscal year 2007-08 estimate. This represents a deceleration in the growth of TOT revenue, not an overall decrease. It is expected that increases in occupancy and room rates will begin to abate because of overall slower economic growth. During the Plan period staff forecasts an average increase of 3.5% for TOT revenues. This growth estimate assumes the business travel market in our region will moderate somewhat and grow at rates closer to historical growth rates for TOT. This will be due to occupancy rates which are leveling off which is expected to affect the ability of lodging owners to raise the room rates. Staff believes the Plan's TOT revenue growth rates are reasonable given the City's past performance and projected economic outlook over the next five years.

Interest Income

The City invests all funds not needed for current cash requirements in accordance with the City Council approved investment policy. These funds are invested in a pooled portfolio consisting of securities having a maximum maturity of five years. The factors that directly influence General Fund interest income are the prevailing interest rates, the size of the portfolio and the relative percentage of the portfolio allocated to the General Fund. Over the last 2 fiscal years the return on the City's portfolio has ranged from 3.9% to 4.4%. Currently, the return on the City portfolio is approximately 4.2% and is forecasted to generate \$4.9 million in interest income in fiscal year 2007-08,

including interest from the land sale reserve. During the five-year Plan period, the return on the portfolio is projected to be between 3.5% and 4.0%. Overall, the Plan reflects a small increase in interest income. This is due to a relatively stable percentage of General Fund money in the investment portfolio and a slight increase long-term interest rates during the Plan period. Based on the current forecast, Staff projects interest income rising from \$5.1 million in fiscal year 2008-09 to approximately \$5.4 million by the end of Plan period.

Rents and Leases and Inter-Agency Transfers

Lease revenues are reported in the Plan under Rents and Leases and Inter-Agency Transfers. In fiscal year 2008-09, revenue reported in Rents and Leases is estimated to be \$3.1 million and will grow to over \$3.4 million by the end of the Plan period. This includes Redevelopment Agency lease revenues transferred to the General Fund of approximately \$1.4 million from the Hyatt Regency Hotel and \$1.1 million from Techmart. The remaining revenues are from a number of smaller General Fund leases.

In fiscal year 2008-09, Inter-Agency Transfers include approximately \$11.3 million in lease revenues which are expected to grow to \$11.6 million by the end of the Plan period. Approximately \$3.6 million comes from development agreements between the City, the Redevelopment Agency and The Irvine Company and \$5.6 million comes from the Great America Theme Park Lease. An additional \$1.5 million comes from the Interland lease with SOSA and approximately \$520 thousand from the Hilton hotel lease.

Charges for Current Services

Staff forecasts that Charges for Current Services will be \$18.6 million in fiscal year 2007-08. In fiscal year 2008-09 Charges for Current Services will increase to \$18.9 million growing to \$19.4 million by the end of the Plan period. Major sources of revenue for this category include charges for services provided to non-General Fund departments, recreation charges, plan check and engineering fees and customer service fees. Reimbursement rates and customer fee rates are set to bring these charges more in line with the costs to provide departmental and customer services.

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Contribution In-Lieu of Taxes

In accordance with the City's charter, the City's Utility enterprise funds pay 5% of gross revenues as Contribution-in-Lieu of Taxes (CLT). In fiscal year 2007-08, revenue from CLT is estimated to be approximately \$14.9 million, up 1.5% compared to last year. For fiscal year 2008-09, CLT is forecasted to be \$15.6 million. The forecast is that CLT will increase to approximately \$17.5 million by end of the Plan period.

The Plan estimate is primarily driven by the market projections for electric consumption that anticipate moderate growth in power demand during the Plan period. The Plan estimates also reflect the Water and Sewer Utilities' forecast of CLT based on projected increases in water/sewer usage and rates. The projected average annual increase in CLT is approximately 2.2% during the Plan period and incorporates existing Council policy on CLT relative to the Electric, Water and Sewer and Recycled Water Utilities.

Expenditures

General Fund expenditures are expected to grow at an average annual rate of 3.0% during the Plan period. This average growth figure reflects City-wide efforts to control operating costs by freezing approximately 27.5 positions, by limiting increases for other operating expenses and materials to CPI inflation, by restricting capital outlay expenses to items previously deferred, and by delaying non-critical capital improvement projects. The expenditure forecast also includes the operation and maintenance costs associated with the planned opening of the new International Swim Center in 2010-11 and the Bayshore North Branch Library in fiscal year 2012-13. The combined operating and maintenance expenses for these new facilities exceed \$1.4 million and are key factors contributing to the projected deficits in the latter Plan period.

For fiscal year 2008-09 total expenditures are estimated to increase by 5.1% over fiscal year 2007-08. Expenditures for salaries and benefits are estimated to increase by 5.2% in fiscal year 2008-09 over fiscal year 2007-08 and by another 2.6% in fiscal year 2009-10. These costs include retiree healthcare, pension benefits, dental insurance,

life insurance, Medicare, Social Security, anticipated payouts for retirees and the Employee Assistance Program. During the Plan period salaries and benefits are expected to increase an average of 3.0%. The increase in salaries and benefits reflects the increased cost for salaries and benefits including retirement and retirement health benefits as defined in the Memoranda of Understanding (MOU's) for the various bargaining units. In fiscal year 2008-09 the costs associated with new positions added to the general fund were offset by reductions through departmental reorganization, the elimination of other positions or the reduction in as needed or other operating costs.

Other operating expenses in fiscal year 2008-09 are estimated to increase by 5.7% compared to fiscal year 2007-08 and increase by 3.0% in fiscal year 2009-10. Average annual increases in other operating expenses are estimated to be 2.5% during the Plan period. These increases are consistent with the local consumer price index and reflect increases in maintenance and operating costs. In fiscal year 2008-09 internal service costs are projected to increase by 7.0% compared to fiscal year 2007-08 and are more reflective of the actual costs associated with providing these services to other departments.

CIP incremental operating costs are expected to range from \$92 thousand to \$1.8 million during the Plan period. These costs represent incremental operating costs from new facilities that are planned for construction during the Plan period.

The General Fund continues to fund the debt service related to the 1997 Police Building Certificates of Participation (Police Building COPS) and 2002 Central Park Library Certificates of Participation (Central Park Library COPS) from current revenues. Annual debt service payments on the Police Building COPS will average \$1.2 million through the year 2022 and annual debt service on the Central Park Library COPS will average \$1.6 million through the year 2032. The total General Fund to annual debt service is \$6.4 million.

FINANCIAL, ECONOMIC, DEMOGRAPHIC AND GENERAL DISCUSSION

NATIONAL, REGIONAL AND LOCAL ECONOMIC ASSUMPTIONS

National, regional and local economic and demographic statistics were analyzed in making the projections presented in this Plan. The economic and demographic projections presented in this section are obtained from various sources including the Association of Bay Area Governments and the Congressional Budget Office. They are summarized in Table 1a, 1b and 1c, Appendix B (page 27). They include such economic indicators as gross domestic product (GDP), employment projections, interest rates, and changes in the national and Bay Area consumer price index. The demographic information includes population trends, household size, and mean household income for the City of Santa Clara.

Economic Conditions

The Bay Area economy, and in particular the Silicon Valley region, continues to grow slowly. Growth in fiscal year 2008-09 is projected to be flat or exceptionally weak, with the increased possibility that the City may be working its way out of a mild recession. During the Plan period, regional economic growth is forecasted to be moderate but with the Silicon Valley projected to be somewhat stronger than the rest of the region or the State as a whole. Regional inflation is expected to remain moderate with income growth in Santa Clara County flat to weak during fiscal year 2008-09 but strengthening during the Plan period. The major risks to the regional economy are the duration of the housing slump, the severity of the continued turmoil in the financial sector, and increases in interest rates, all which would negatively impact local economic growth. Job growth in the Bay Area and Silicon Valley is expected to be slow in fiscal year 2008-09 with some improvement during the Plan period as the economic situation improves.

The Association of Bay Area Governments (ABAG) 2008-09 forecast predicts regional growth to be very weak and parallel the national economy. The Santa Clara Metropolitan Statistical Area (MSA) is expected to experience an economic slowdown but is projected to remain one of the bright spots in the State. This is particularly

important because during the last economic downturn, the Silicon Valley was the epicenter of the recession and experienced severe job losses. Santa Clara County employment growth is expected to grow by 5,030 jobs in 2008 and 8,050 in 2009. This compares with an increase of 13,000 jobs from December 2006 to December 2007. Bay Area inflation is expected to be 3.5% in 2008 and 3.0% in 2009. In the San Jose/Santa Clara/Sunnyvale Metropolitan Statistical Area the unemployment rate increased from 4.1% in December 2006 to 5.1% in December 2007. In addition, according to the Silicon Valley Index 2008, there has been a steady decline in mid-wage jobs, defined as those with wages from \$30,000 to \$80,000 per year. From 2002 to 2006 mid-wage jobs declined from 52% of total jobs to 46%. Declines occurred in the job categories of secretaries, general office clerks, customer service representatives, electrical engineering technicians and semi conductor processors. During this same period, lower wage jobs, defined as wages less than \$30,000 per year increased from 22% to 27% of the workforce. Still, median household income rose 2% to \$82,486 from 2005 to 2006. Over all the Silicon Valley has a much larger proportion of households earning \$100,000 or more (39%) compared to either California (25%) or the nation as a whole (18%). This shows the region remains vibrant as per capita income is still rising due to these high wage earners. In addition, the commercial real estate market continues to improve as vacancy rates drop and rents rise. Through October 2007, commercial vacancy rates declined for the fourth year in a row. Demand was particularly strong for R&D space where vacancy rates declined by 11.5%. In 2007, for the first time in a decade, rental rates for commercial space increased two years in a row in all categories. The R&D and office sectors had their largest average increase in asking rent since 2002. Despite these positive developments in the commercial real estate market, commercial vacancy rates still remain 6.5 times higher than in 2000.

During the Plan period, the real change in Gross Domestic Product (GDP) is expected to average around 3.1% nationally, inflation as measured by the CPI is expected to average 2.2%, and unemployment is expected to average 4.9%. The interest rate for the 10-year Treasury is forecasted to average 5.2% during the Plan period. Based on ABAG's economic forecast for the Bay Area, the

FINANCIAL, ECONOMIC, DEMOGRAPHIC AND GENERAL DISCUSSION

regional economy is expected to experience slow but steady growth. In the near term, the housing slump should result in less construction spending, some households may curtail their consumer spending on high-ticket items and turmoil in the financial sector will create an additional drag on both the local and national economies. Local wage increases are also expected to be flat in 2008 and only slightly improved in 2009. But during the Plan period, economic growth is expected to return to historical averages. The Plan reflects these moderate growth and inflation assumptions.

The long-term fundamentals and economic health of the Bay Area remain solid. The Silicon Valley work force remains one of the most productive in the world. This labor productivity combined with the region's vibrant economic infrastructure should result in the region's long-term economic expansion and the continued production of value added goods and services. With the repositioning of local area businesses, there has been a renewed focus on the high-tech areas of green, clean technology and biotechnology as high growth industries. Additional venture capital investment is flowing into these areas, resulting in the Silicon Valley emerging as one of the top regions in the country for green, clean technology investment. A key to sustaining this regional expansion will be the continued growth in the high technology industries. Because of the turbulence in the financial markets, the retraction of the residential real estate markets and a slowdown in consumer spending, the local and national economies are expected to show some deceleration over the next 9 to 12 months. However, the long term economic forecast remains upbeat during the Plan period. The region is expected to add both jobs and population during the Plan period. While economic turbulence and globalization will continue to affect the Silicon Valley, innovation based economies like the one found here should continue to thrive in this rapidly changing environment. Clean technology is one area wherein the region may already have a long term competitive advantage with 21% of the nation's cleantech venture funding coming to Silicon Valley. The local economy should experience broad changes across a variety of economic sectors. Outsourcing will continue to be a factor affecting the local economy. However, the highly productive, well educated work force and the high

concentration of venture capital should continue to give Silicon Valley a competitive advantage in the global market place.

Demographic Statistics

Population growth projections indicate that Santa Clara County will continue to be the most populous county in the region. As of January 2008 Santa Clara County has a population of 1.84 million. By 2010 The Association of Bay Area Governments (ABAG) forecasts that the Santa Clara County population will grow to 1.87 million. As of January 2008 the City has a population of 115,503.

ABAG estimates that the City's population will grow to approximately 117,800 in 2010, an increase of 2.0%. The development of the former BAREC site for Senior Housing and market rate housing, and the planned development of several below market housing projects and some mixed-use developments will also contribute to the City's population growth. With this population growth, demands for City services will also increase.

OTHER ISSUES AND CITY POLICY ITEMS

Other issues that are significant in assessing and projecting the City's fiscal capacity over the Plan period include City Council goals, General Contingency Reserves policy, legal and administrative requirements, electric power industry environment, City land use issues, economic development activities including provision of affordable housing, and technological improvements.

Political, Legal and Administrative Requirements

Santa Clara is a Charter City, with the current charter approved by the electorate in 1951 and updated in 2000. The City Charter establishes the form of government, sets forth the powers and duties of the Mayor, City Council, and the City Manager and organizes the City's various boards and commissions.

The residents elect a City Council composed of seven citizens, a Mayor and six councilmembers, all directly elected at large, who serve

FINANCIAL, ECONOMIC, DEMOGRAPHIC AND GENERAL DISCUSSION

terms of four years each and who, in turn, appoint a City Manager. The City operates under a Council-Manager form of government. The City Manager is the Chief Executive Officer responsible for the proper administration of all affairs of the City.

The City Charter contains strict requirements for a balanced budget and provisions to ensure that funds are not expended without legal appropriation. Administrative guidelines with respect to budget development and execution ensure strict adherence to the Charter requirements. The City is also subject to various other finance-related legal requirements such as the legal debt limit, appropriations limits of Propositions 111 and 4, Proposition 218 and various financial audit requirements that it has consistently met through requisite administrative guidelines.

Electric Power Industry

Silicon Valley Power (SVP), the City's Electric Utility, operates in a relatively favorable but competitive business environment, providing electric power to over 50,000 City customers. SVP owns power generation facilities, has investments in joint ventures that produce electric power, and trades power on the open market. One of its primary goals is to remain competitive in the marketplace and maintain its continuous focus on customer service. While the business environment has changed, and continues to do so, SVP's dedication to its customers and its traditional values remains paramount. Each year SVP prepares a five-year financial plan (see page 23). SVP also develops a Strategic Plan to adapt to the changes in the electrical power industry. During the Plan period, the City and SVP will continue to monitor the ever-changing situation and future developments in the power industry. SVP will continue to develop and modify its strategies to successfully adapt to the power industry's operating environment. This means preparing for the new competitive electric market by continuing to implement green technologies, further streamlining operations and working with its customers to enhance the value they receive from municipal ownership of their electric utility.

City Land Issues

General information regarding the City's current land use, development potential, and specific plans as outlined in the City General Plan (2000–2010) dated July, 2002, updated in February, 2005, has been considered in the preparation of the Plan. A key upcoming project is the comprehensive update of the City's General Plan. This effort will include the environmental analysis and community outreach efforts necessary to chart the City's future. Several significant projects are scheduled for completion during the Plan period. The former Bay Area Research Extension Center (BAREC) site when realized will include 165 senior housing units and 110 single-family homes. The South of Forest neighborhood improvement project will upgrade streets to City standards, improve drainage and increase safety of pedestrians and vehicular traffic. The Bill Wilson Center Commons Project is a 28 unit apartment complex being renovated for use as permanent housing for youth transitioning out of foster care and staff counselors who mentor youth residents. The City will also continue its financing program to provide mortgage financing to moderate income first time home buyers. While new residential development in the City is necessary, it will also require additional General Fund expenditures to meet the costs associated with the increased demand for recreation, police and fire services. These costs are in addition to those already estimated in the Plan.

Another major project, included in this year's capital plan, is the Bayshore North Branch Library which will provide a branch library to the residents of the area. The design costs are also included for the updating of the International Swim Center project which will include the construction of 4 new pools. The City is also expanding its Green Program which includes low emitting diode traffic signals, evaluating the construction of a completely green office building and using solar panels on substations. There are also several upgrades and new additions to the Silicon Valley Power's infrastructure including construction of several substations, modifications to the medium voltage distribution system, modifications to high voltage power line distribution system and requested fiber optic connections and extensions. The City also plans a major upgrade to the sanitary sewer system to enhance the capacity and reliability of service. Operating

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costs associated with these new capital projects have been incorporated into the Plan or the appropriate utilities' 5 year plan which are part of this document.

Finally, City staff completed the San Francisco 49'ers stadium feasibility study and the City Council voted in January 2008 to continue further negotiations between the City and the 49'ers. The City and 49'ers will now develop a Term Sheet describing the stadium transaction before submitting the project to the citizens as part of a ballot measure in November. Since only those projects are included in the Plan for which an estimated occupancy date is known, there is nothing included in the Plan for this project. As completion dates for specific projects become better known, additional revenues and expenditures are added to the Plan.

The City has generally followed a policy of leasing, rather than selling, City land. As a policy, ground leases of City land will continue to be used, when appropriate, as additional sources of long-term revenue. The ground lease of the Yerba Buena property to The Irvine Company is consistent with this policy. However, during fiscal years 1996-97 and 1997-98, Council approved the sale of selected City-owned property. These decisions were intended to enhance industry and business expansion in the City and as such are consistent with the City Council's goal to promote the economic success of Santa Clara. The City Council has also adopted a policy that the proceeds of the sale of City-owned land be placed in a designated General Contingency Reserve for the Proceeds of Land Sales. On June 10, 1997 City Council authorized staff to establish the General Contingency Reserve for Non-Expendable Land Sale Proceeds (Land Sale Reserve). Net proceeds from the sale of City-owned land are held in the Land Sale Reserve and the interest earned on these funds is available for General Fund appropriations. Only the interest earnings from the account are available for appropriation through the annual budget process, or by specific City Council action. The projected balance in the account as of June 30, 2008 is approximately \$17.0 million.

Long Term Maintenance - City Buildings/Structures

The City has a preventive maintenance program designed to maintain the appearance and operating efficiency of City buildings and facilities. The funds budgeted for the program cover regular maintenance such as repairs, replacement, or upgrade of building components, and minor landscape work. Staff has incorporated the projected expenditures for this program in the Plan. The proposed Plan includes expenditure projections for requested major projects and regular maintenance items that may be needed during the next five years.

Contingency Reserve Policy

During fiscal year 1985-86, the City Council established a policy regarding use of the City's General Contingency Reserve funds. Under that policy, two separate reserves were established: a Working Capital (Emergency) Reserve and a General Contingency Reserve for Capital Projects. The Working Capital Reserve is set aside for emergency, financial crisis or disaster situations. Current policy for the Working Capital Reserve is to provide funding for 90 days of General Fund budgeted expenditures. For fiscal year 2008-09 this would be approximately \$37.1 million compared to an estimated available balance of \$20.7 million as of June 2008. During fiscal years 2002-03, 2003-04 and 2004-05 approximately \$20.5 million in reserves were used to meet the City's financial needs. Over the last few years because of the severity of the City's financial situation, the 90 day Working Capital Reserve for the General Fund has not been met. During the Plan period, it is forecasted that the City may again rely on its Working Capital Reserve to meet operating deficits. Based on the Plan forecast it is estimated that the balance of the Working Capital Reserve will decrease from \$20.7 million in June 2008 to \$12.1 million in June 2014. The estimated beginning balance of \$14.6 million in fiscal year 2013-14 for the Working Capital Reserve represents approximately 8.5% of the General Fund operating budget compared to the 25% minimum under Council policy. The current and projected balances of both the Working Capital Reserve and the General

FINANCIAL, ECONOMIC, DEMOGRAPHIC AND GENERAL DISCUSSION

Contingency Reserve for Capital Projects are presented in Schedule D, page 19.

The General Contingency Reserve for Capital Projects funds are set aside to fund the City's capital spending program. The projects in the program maintain basic City infrastructure and quality facilities. The Council adopted a policy in fiscal year 1996-97 to maintain a minimum of \$5 million in the General Contingency Reserve for Capital Projects. As of June 2008 the balance in this fund is estimated to be \$7.7 million. It will be drawn down to \$1 million in 2008-09 in order to fund Capital Projects of \$6.7 million, as part of the total funding for the CIP budget. During the Plan period, the General Contingency Reserve for Capital Projects fund is not projected to meet the \$5 million balance. If all the projects in the Plan were approved the balance in the General Contingency Reserve for Capital Projects would be sometime in fiscal year 2009-10.

Historically, these precautionary reserve balances, coupled with the City's excellent credit rating and above revenue coverage of its obligations, allowed the City to maintain its sound financial position. This has made it unlikely that the City would have to levy higher taxes or take similar measures to fund necessary General Operating Fund expenditures. For this reason Staff will be carefully monitoring changes in the City's financial situation as well as our local economy.

CAPITAL IMPROVEMENTS PROGRAM FUNDING OPTIONS

Another function of the Plan is to determine the City's financial capacity to fund its capital improvement program. A summary of the Proposed Capital Project Costs is contained in Schedule B (pages 16-17) along with available project funding. The amount of "Net to be Funded Costs" is shown in Schedule C (page 18). Details of all proposed projects are contained in the Capital Improvement Plan.

Staff analysis indicates that the balance in the General Contingency Reserve for Capital Projects will be approximately \$7.7 million as of June 30, 2008. If all the projects in the Plan are approved then sometime in fiscal year 2009-10, the balance in the General

Contingency Reserve for Capital Projects will be depleted. This reserve balance is not forecasted to increase during the Plan period due to efforts to replenish the Working Capital Reserve and projected General Operating Fund deficits forecasted during the Plan period. Therefore there will not be sufficient funds to cover the total capital project costs in the Five Year Plan. Staff is reviewing options and will present City Council with a discussion during the 2008-09 Study Sessions.

ENTERPRISE TYPE PROGRAMS

The City owns and operates various enterprise type activities including the Electric, Water, and Sewer utilities, Solid Waste program, City Cemetery, and the Sports and Open Space Authority. A five year projection of individual enterprise fund revenues and expenses is included as part of Appendix A of this Plan. The projections were prepared by the respective entities with underlying economic and other pertinent assumptions that may differ from those outlined in this Plan. Also, this Plan does not include any analysis of the respective enterprise entities' reserves or plans for financing the listed projects. Presentation of enterprise fund information in this Plan is designed to draw attention to their financial relationship to the City's General Fund, and to give Council an overview of their major capital improvement projects over the next five years.

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TEN YEAR RESOURCE AND EXPENDITURE TREND
GENERAL OPERATING FUNDS

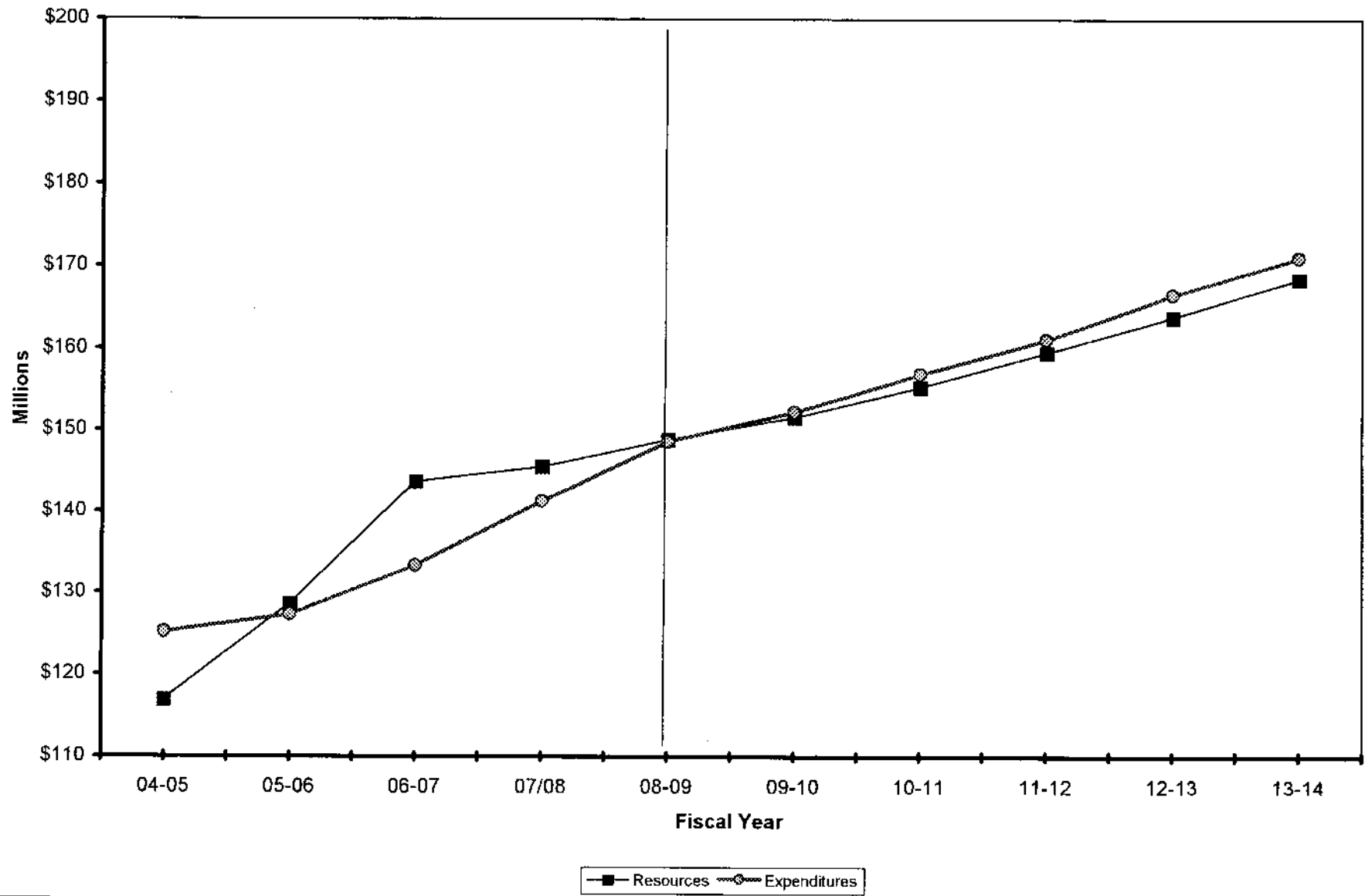
	Actual - Fiscal Year				Proposed
	2004-2005	2005-2006	2006-2007	2007 - 2008	2008 - 2009
<u>ESTIMATED RESOURCES</u>					
Property Tax	\$ 19,934,513	\$ 22,032,336	\$ 25,468,193	\$ 27,600,000	\$ 28,566,000
Sales Tax	37,076,578	38,142,524	43,217,143	40,708,000	40,307,000
Transient Occupancy Tax	7,795,616	9,341,790	10,306,555	11,450,000	11,794,000
Franchise Tax	2,755,470	2,907,192	3,166,797	2,941,120	3,000,000
Documentary Transfer Tax	1,146,343	1,708,157	1,173,816	1,000,000	1,000,000
Subtotal	68,708,520	74,131,999	83,332,504	83,699,120	84,667,000
Licenses and Permits	3,636,945	3,432,757	3,351,007	3,003,100	3,063,000
Fines and Penalties	1,504,816	1,561,111	1,772,055	1,615,000	1,631,000
Interest	5,946,076	4,651,653	5,146,005	4,850,000	5,064,500
Rents and Leases	6,983,264	2,823,148	3,047,454	2,765,000	3,052,000
Vehicle License Fee	1,155,322	2,447,284	735,999	678,000	685,000
Revenue From Other Agencies	1,124,264	763,604	1,328,540	1,085,000	1,085,000
Charges For Current Services	13,325,909	18,325,581	18,796,584	18,612,161	18,903,679
Contribution In-Lieu of Taxes	11,992,617	12,860,316	14,722,138	14,938,832	15,556,435
Other Revenue	198,347	118,938	607,331	243,983	246,000
Subtotal	45,867,560	46,984,392	49,507,113	47,791,076	49,286,614
Inter-fund Transfers	2,362,190	7,490,947	10,870,111	13,989,075	14,866,819
Total Estimated Resources	116,938,270	128,607,338	143,709,728	145,479,271	148,820,433
<u>ESTIMATED EXPENDITURES</u>					
Salaries and Benefits	94,047,591	96,026,943	101,400,335	108,004,476	113,660,544
Other Operating Expenditures	20,167,740	19,858,896	20,256,136	20,355,088	21,518,027
CIP Incremental Operating Costs	-	-	-	-	-
Total Operating Expenditures	114,215,331	115,885,839	121,656,471	128,359,564	135,178,571
Interfund Services	4,717,358	5,056,066	5,345,919	6,567,211	7,024,343
Debt Service	6,341,549	6,347,106	6,347,083	6,364,007	6,356,794
Total Estimated Expenditures	125,274,238	127,289,011	133,349,473	141,290,782	148,559,708
Surplus or (Deficit)	\$ (8,335,968)	\$ 1,318,327	\$ 10,360,255	\$ 4,188,489	\$ 260,725

TEN YEAR RESOURCE AND EXPENDITURE TREND (continued)

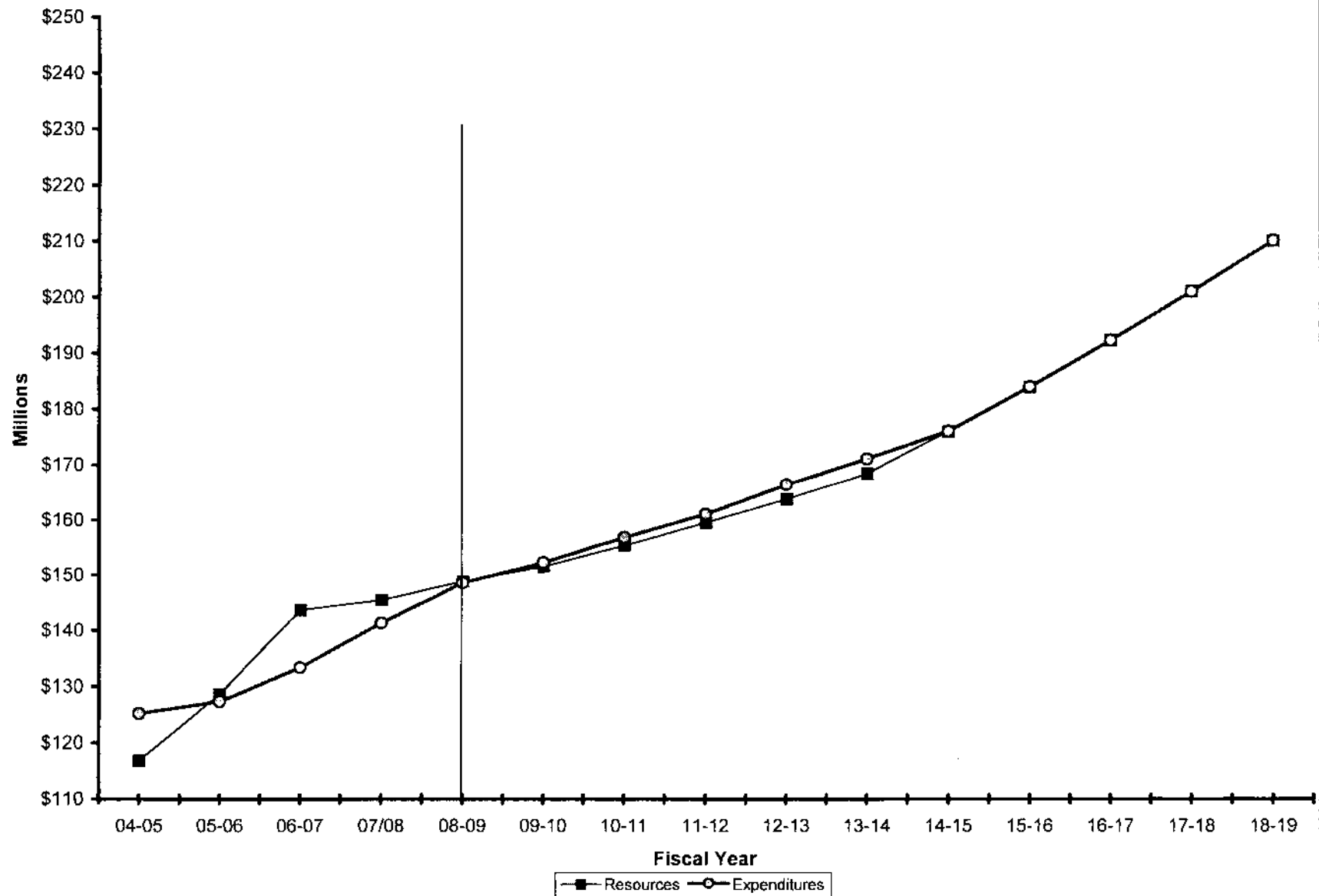
GENERAL OPERATING FUNDS

	Forecasted - Fiscal Year				
	2009 - 2010	2010 - 2011	2011-2012	2012-2013	2013-2014
<u>ESTIMATED RESOURCES</u>					
Property Tax	\$ 29,566,000	\$ 30,601,000	\$ 31,672,000	\$ 32,781,000	\$ 33,928,000
Sales Tax	41,919,000	43,596,000	45,340,000	47,154,000	49,040,000
Transient Occupancy Tax	12,207,000	12,634,000	13,076,000	13,534,000	14,008,000
Franchise Tax	3,060,000	3,121,000	3,183,000	3,247,000	3,312,000
Documentary Transfer Tax	1,010,000	1,020,000	1,030,000	1,051,000	1,072,000
Subtotal	87,762,000	90,972,000	94,301,000	97,767,000	101,360,000
Licenses and Permits	3,094,000	3,125,000	3,156,000	3,188,000	3,220,000
Fines and Penalties	1,647,000	1,663,000	1,680,000	1,697,000	1,714,000
Interest	5,130,000	5,197,000	5,265,000	5,333,000	5,402,000
Rents and Leases	3,097,780	3,144,247	3,191,410	3,239,282	3,430,264
Vehicle License Fee	692,000	699,000	706,000	713,000	720,000
Revenue From Other Agencies	1,085,000	1,085,000	1,085,000	1,085,000	1,085,000
Charges For Current Services	18,998,000	19,093,000	19,188,000	19,284,000	19,380,000
Contribution In-Lieu of Taxes	16,011,376	16,193,799	16,601,168	17,032,933	17,486,184
Other Revenue	248,000	250,000	253,000	256,000	259,000
Subtotal	50,003,156	50,450,046	51,125,578	51,828,215	52,696,448
Inter-fund Transfers	13,741,000	13,878,000	14,071,000	14,157,000	14,299,000
Total Estimated Resources	151,506,156	155,300,046	159,497,578	163,752,215	168,355,448
<u>ESTIMATED EXPENDITURES</u>					
Salaries and Benefits	116,570,361	120,067,472	123,669,496	127,379,581	131,200,968
Other Operating Expenditures	22,164,000	22,718,000	23,286,000	23,868,000	24,465,000
CIP Incremental Operating Costs	92,200	637,200	664,500	1,681,700	1,787,200
Total Operating Expenditures	138,826,561	143,422,672	147,619,996	152,929,281	157,453,168
Interfund Services	7,052,000	7,080,000	7,108,000	7,136,000	7,165,000
Debt Service	6,319,876	6,328,386	6,319,951	6,332,342	6,332,342
Total Estimated Expenditures	152,198,437	156,831,058	161,047,947	166,397,623	170,950,510
Surplus or (Deficit)	\$ (692,281)	\$ (1,531,012)	\$ (1,550,368)	\$ (2,645,408)	\$ (2,595,062)

**Ten Year Resource and Expenditure Trend Line
General Operating Fund
2004-2005 Through 2013-2014**



**Fifteen Year Resource and Expenditure Trend Line
General Operating Fund
2004-2005 Through 2018-2019**



PROPOSED CAPITAL PROJECT COSTS

Fund	Fund Name	Fiscal Year				
		2009 - 10	2010 - 11	2011 - 12	2012-13	2013-14
Streets and Highways Programs:						
521	Special Gas Tax (2105)	\$ 372,100	\$ 379,900	\$ 388,000	\$ 396,400	\$ 405,000
522	Special Gas Tax (2107)	1,025,000	1,025,000	825,000	1,225,000	1,275,000
524	Collier-Unruh Act (2106)	640,000	660,000	680,000	700,000	720,000
525	Traffic Mitigation	650,000	650,000	3,843,000	1,243,000	650,000
531	Street Beautification	90,000	480,000	875,000	70,000	70,000
533	Streets and Highways	2,617,000	1,441,000	75,000	290,000	50,000
	Sub-Total	5,394,100	4,635,900	6,686,000	3,924,400	3,170,000
General Government Programs:						
532	Parks and Recreation	12,750,000	1,590,000	1,985,000	6,480,000	3,075,000
535	Storm Drains	2,395,000	2,425,000	2,395,000	11,035,000	2,195,000
536	Fire Department	110,650	116,700	122,800	110,000	115,000
537	Library	77,000	60,000	41,000	41,000	36,000
538	Public Buildings	1,363,500	4,549,000	6,565,000	2,695,000	505,000
539	General Government-Other	-	-	-	-	-
562	Community Services (HUD)	660,000	660,000	660,000	800,000	160,000
	Sub-Total	17,356,150	9,400,700	11,768,800	21,161,000	6,086,000
TOTAL PROPOSED COSTS		\$ 22,750,250	\$ 14,036,600	\$ 18,454,800	\$ 25,085,400	\$ 9,256,000

FUNDED / UNFUNDED PROJECT COSTS
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	Fiscal Year				
	2009 - 10	2010 - 11	2011 - 12	2012-13	2013-14
* Funded Project Costs:					
Streets and Highways Program	\$ 4,224,100	\$ 3,055,900	\$ 5,186,000	\$ 2,729,400	\$ 1,925,000
General Government Program	750,000	750,000	750,000	9,660,000	210,000
Sub-Total	<u>4,974,100</u>	<u>3,805,900</u>	<u>5,936,000</u>	<u>12,389,400</u>	<u>2,135,000</u>
 Unfunded Project Costs:					
Streets and Highways Program	1,170,000	1,580,000	1,500,000	1,195,000	1,245,000
General Government Program	16,606,150	8,650,700	11,018,800	11,501,000	5,876,000
Sub-Total	<u>17,776,150</u>	<u>10,230,700</u>	<u>12,518,800</u>	<u>12,696,000</u>	<u>7,121,000</u>
 TOTAL SOURCES OF REVENUE	 <u><u>\$ 22,750,250</u></u>	 <u><u>\$ 14,036,600</u></u>	 <u><u>\$ 18,454,800</u></u>	 <u><u>\$ 25,085,400</u></u>	 <u><u>\$ 9,256,000</u></u>

* See detailed listing of individual Capital Projects

SUMMARY - NET TO BE FUNDED

Fund	Fund Name	Fiscal Year				
		2009 - 10	2010 - 11	2011 - 12	2012-13	2013-14
Streets and Highways Programs:						
521	Special Gas Tax (2105)	\$ -	\$ -	\$ -	\$ -	\$ -
522	Special Gas Tax (2107)	420,000	420,000	615,000	1,165,000	1,215,000
524	Collier-Unruh Act (2106)	-	-	-	-	-
525	Traffic Mitigation	650,000	650,000	-	-	-
531	Street Beautification	50,000	440,000	835,000	30,000	30,000
533	Streets and Highways	50,000	70,000	50,000	-	-
	Sub-Total	1,170,000	1,580,000	1,500,000	1,195,000	1,245,000
General Government Programs:						
532	Parks and Recreation	12,700,000	1,540,000	1,935,000	6,430,000	3,025,000
535	Storm Drains	2,195,000	2,225,000	2,195,000	2,225,000	2,195,000
536	Fire Department	110,650	116,700	122,800	110,000	115,000
537	Library	77,000	60,000	41,000	41,000	36,000
538	Public Buildings	1,363,500	4,549,000	6,565,000	2,695,000	505,000
539	General Government-Other	-	-	-	-	-
562	Community Services (HUD)	160,000	160,000	160,000	-	-
	Sub-Total	16,606,150	8,650,700	11,018,800	11,501,000	5,876,000
	Sub-Total General Funds	17,776,150	10,230,700	12,518,800	12,696,000	7,121,000
Enterprise Funds:						
593	Cemetery	2,900	5,500	3,001,500	1,509,800	1,500
596	Solid Waste	435,000	511,428	526,433	555,234	620,033
	Sub-Total	437,900	516,928	3,527,933	2,065,034	621,533
Agency Funds						
840	SOSA	200,000	100,000	100,000	100,000	-
		200,000	100,000	100,000	100,000	-
TOTAL NET TO BE FUNDED		\$ 18,414,050	\$ 10,847,628	\$ 16,146,733	\$ 14,861,034	\$ 7,742,533

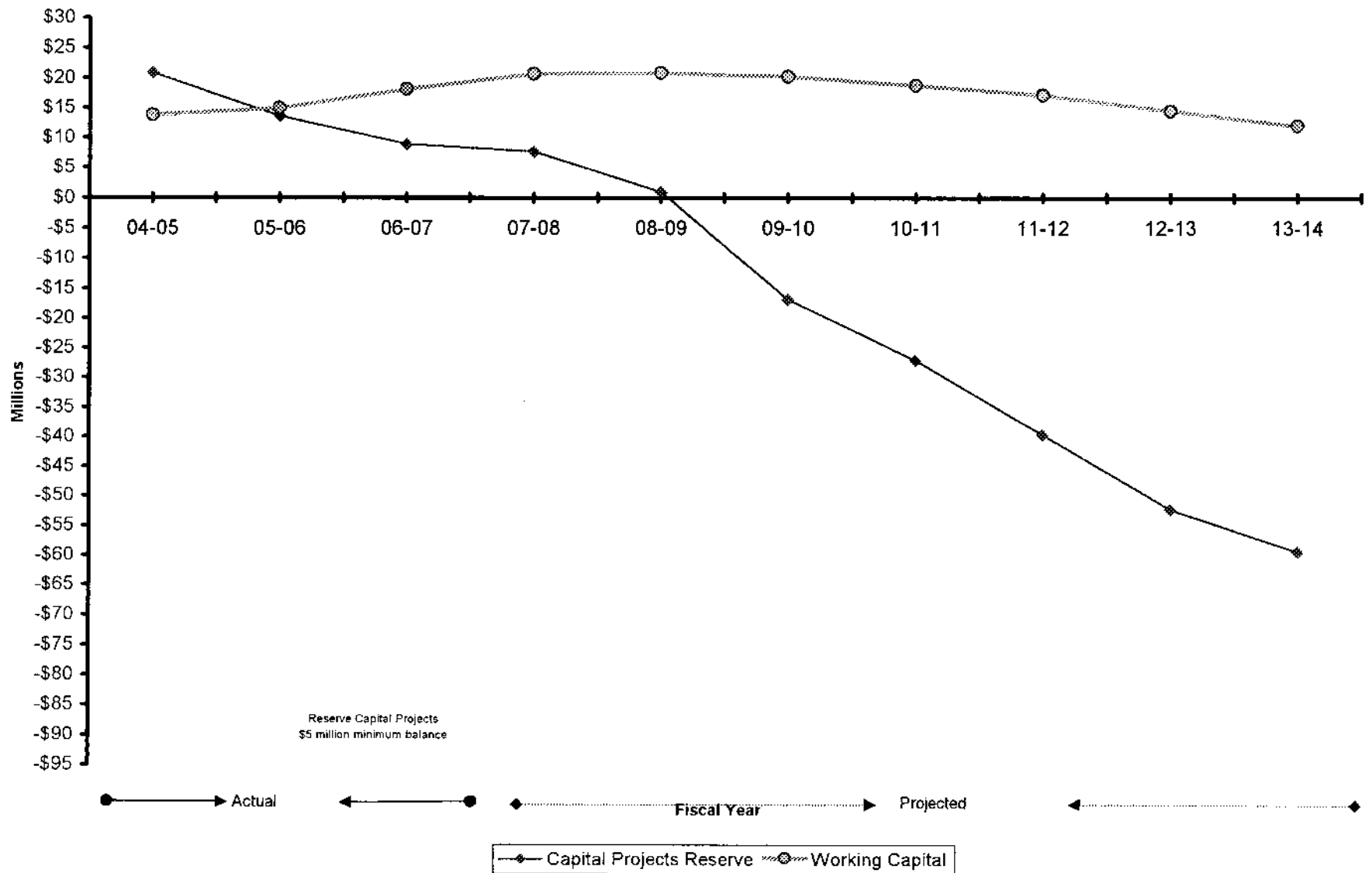
GENERAL CONTINGENCY RESERVE

PROJECTED FLOW OF FUNDS

CAPITAL PROJECTS RESERVE		RESERVE FOR WORKING CAPITAL
\$ 7,746,720	Balance Est. June 30, 2008	\$ 20,666,869
-	2008-2009 General Operating Funds (Page 13)	260,725
(6,746,720)	Capital Projects - Net To Be Funded	-
-	Working Capital Adjustment	-
\$1,000,000	BALANCE - JUNE 30, 2009	\$20,927,594
-	2009-2010 General Operating Funds (Page 13)	(656,281)
(17,776,150)	Capital Projects - Net To Be Funded (Page 18)	-
-	Working Capital Adjustment	-
(\$16,776,150) *	BALANCE - JUNE 30, 2010	\$20,271,313
-	2010-2011 General Operating Funds (Page 13)	(1,493,012)
(10,230,700)	Capital Projects - Net To Be Funded (Page 18)	-
-	Working Capital Adjustment	-
(\$27,006,850) *	BALANCE - JUNE 30, 2011	\$18,778,301
-	2011-2012 General Operating Funds (Page 13)	(1,565,368)
(12,518,800)	Capital Projects - Net To Be Funded (Page 18)	-
-	Working Capital Adjustment	-
(\$39,525,650) *	BALANCE - JUNE 30, 2012	\$17,212,933
-	2012-2013 General Operating Funds (Page 13)	(2,604,408)
(12,696,000)	Capital Projects - Net To Be Funded (Page 18)	-
-	Working Capital Adjustment	-
(\$52,221,650) *	BALANCE - JUNE 30, 2013	\$14,608,525
-	2013-2014 General Operating Funds (Page 13)	(2,552,062)
(7,121,000)	Capital Projects - Net To Be Funded (Page 18)	-
-	Working Capital Adjustment	-
(\$59,342,650) *	BALANCE - JUNE 30, 2014	\$12,056,463

* Amount available for funding Capital Projects. Negative balances indicate a need for debt financing or delaying projects until future years.

General Contingency Reserve
Actual & Projected Capital Projects Reserve and
Reserve for Working Capital
Fiscal Years 2004-2005 Through 2013-2014



HISTORICAL ANALYSIS
of the
GENERAL CONTINGENCY RESERVE

ITEM DESCRIPTION	Fiscal Year				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Beginning Balance:					
Date	July 1, 2003	July 1, 2004	July 1, 2005	July 1, 2006	July 1, 2007
Amount	\$ 55,806,517	\$ 45,158,265	\$ 34,693,658	\$ 26,472,755	\$ 32,194,695
Add: Transfer In					
General Operating Surplus (Deficit)	(9,223,536)	(8,335,968)	1,318,327	10,360,255	4,188,489 *
Capital Projects Fund - Repmt.	4,408,332	6,373,925	-	473,313	1,240,000
RDA Parking Garage Reserve	-	-	-	-	-
Loan Repayment	5,814	24,853	23,401	24,687	18,505
Sub-Total	(4,809,390)	(1,937,190)	1,341,728	10,858,255	5,446,994
Less: Transfer Out					
General Operating	17,226	13,103	27,500	64,500	180,022
Capital Improvement Fund	4,462,536	6,304,000	6,267,859	3,361,400	7,599,498
Cemetery	47,757	155,838	410,940	175,190	93,154
Worker's Comp. Insurance	-	1,347,367	2,429,184	707,800	-
SOSA Loans	-	100,000	-	-	100,000
Special Liability Insurance	-	-	-	-	-
Solid Waste	1,300,353	582,669	396,252	504,160	1,192,219
Miscellaneous	10,990	24,440	30,896	23,265	63,207
Sub-Total	5,838,862	8,527,417	9,562,631	4,836,315	9,228,100
Ending Balance:					
Amount	\$ 45,158,265	\$ 34,693,658	\$ 26,472,755	\$ 32,494,695	\$ 28,413,589
Date	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	Est. June 30, 2008
Working Capital Reserve	\$ 22,163,972	\$ 13,828,004	\$ 15,146,331	\$ 18,133,786	\$ 20,666,869
Capital Improvement Projects Res.	22,994,293	20,865,654	11,326,424	14,060,909	7,746,720
Total Reserve	\$ 45,158,265	\$ 34,693,658	\$ 26,472,755	\$ 32,194,695	\$ 28,413,589

* Estimated 2007/08 operating surplus (Deficit)

ACTION PLAN

The following actions are included in Plan:

1. Review the City's forecasted General Operating Fund expenditures to identify areas for future cost reductions and efficiencies and the City's revenue sources for possible revenue enhancements with the goal of implementing a balanced General Operating Fund budget.
 2. Review the five-year capital improvement project plan included in the proposed 2008-09 Capital Improvement Project Budget to assure that the projects are consistent with the City's long-term Budget Principles including:
 - Budget decisions will be made with long-term implications taken into account, using data from the Five-Year Financial Plan
 - Value of fiscal responsibility will be used as a guide for decisions
 - Focus on benefit to community as a whole
 - During this time of economic uncertainty, the City will need a period of time to determine whether the current economic status will continue on a path to recovery
 - Inform residents, businesses and employees of challenges and the City's responses
- Budget decisions will be made as a whole in context, with no special requests considered in isolation
 - Any reduction of permanent positions will be through attrition, retirement, with avoidance of layoffs as a goal
 - Continue to balance budget without use of emergency reserves throughout current 5 Year Financial Plan
 - Reduce hours of operations where possible while maintaining essential service levels
 - Review options for consolidation of functions that reduce operational costs and improve efficiency
 - Capital Improvement Projects (CIP) that have significant continuing staffing, operational and maintenance costs will be evaluated for deferral/elimination
 - Consider delay in opening or phase in opening of new facilities
 - The perception of funding actions, as well as the fiscal impact, will be considered before expenditures are made
 - Complete a long-range plan to increase certain fees which reduce subsidy from the General Fund while maintaining the City's low-fee structure
 - Continue to implement a Council policy to rebuild General Fund Contingency Reserves (Working Capital and Capital) for the long-term financial health of the City



Appendix A

Utility Funds Projected Revenues



**CITY OF SANTA CLARA
ELECTRIC UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
ESTIMATED REVENUE					
Charges for Current Service (1)	\$ 249,797,117	\$ 252,964,078	\$ 256,131,039	\$ 259,298,000	\$ 262,464,961
Mandated Revenue, not subject to CLT (2)	7,701,310	7,798,949	7,896,587	7,994,225	8,091,863
Use of Money & Property	12,513,131	12,113,737	11,909,433	11,357,657	10,834,755
Other Revenue (Except Bond Proceeds)	10,332,888	6,768,485	6,867,532	7,263,188	7,460,176
Beginning Balance - Capital Projects	-	-	-	-	-
To Be Funded - CIP #091	-	-	-	-	-
Budgeted CRF Withdrawal or Rate Increase	25,132,891	7,684,333	13,862,418	21,013,722	21,588,430
Total Revenue	305,477,338	287,329,583	296,667,009	306,926,792	310,440,185
ESTIMATED EXPENDITURES					
Utility & Street Light Construction (3)	\$ 26,861,800	\$ 15,942,700	\$ 16,473,600	\$ 16,504,500	\$ 12,140,035
Salaries & Benefits	21,646,987	22,188,162	22,742,866	23,311,438	23,894,224
Other Operating Expenditures	13,491,797	13,829,092	14,174,819	14,529,190	14,892,420
Resource & Production Costs					
Purchased Power, Non-JPA (7)	48,309,508	50,456,473	56,819,205	59,518,949	63,948,602
Purchased Power, JPA	104,504,449	94,358,454	94,834,107	94,428,416	95,135,342
Other Production Costs	47,037,466	46,613,882	45,609,738	52,099,632	53,376,635
Mandated Cost (4)	7,701,310	7,798,949	7,896,587	7,994,225	8,091,863
Internal Service Funds	8,298,713	8,506,180	8,718,835	8,936,806	9,160,226
Contribution-in-lieu of Taxes	13,632,157	13,592,315	13,745,400	13,895,942	14,037,995
Debt Service (5)	13,993,151	14,043,376	15,651,851	15,707,694	15,762,844
Total Expenditures	305,477,338	287,329,583	296,667,008	306,926,792	310,440,185
TOTAL AVAILABLE REVENUE (6)	\$ -	\$ -	\$ -	\$ -	\$ -
Cost Reduction Fund Balance - End of FY	\$142,025,964	\$134,341,631	\$120,479,213	\$99,465,491	\$77,877,061
<p>(1) Assumes present rates at 8.19 cents/kWh (Excl. PBC, SS)</p> <p>(2) Mandated Revenue: PBC, State Surcharge</p> <p>(3) Includes Electric Utility General Operating Funds 091 and 491 and Elec Utility Capital Improve. Funds 591 and 534.</p> <p>(4) Mandated Cost to include PBC and State Surcharge</p> <p>(5) Including DVR on line January 2005</p> <p>(6) Deficits funded either from Cost Reduction Fund or additional revenue from rate increases</p> <p>(7) Excludes ISO-related costs collected as Mandated Cost</p>					
Note: Avg. Cost of Gas- \$/MMBtu	\$ 7.11	\$ 7.04	\$ 6.89	\$ 7.89	\$ 8.09

**CITY OF SANTA CLARA
WATER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

ESTIMATED REVENUE	Fiscal Year				
	2009 - 10	2010 - 11	2011 - 12	2012 - 13	2013 - 14
Transfers From (To) Reserves	\$ 1,818,220	\$ 2,504,300	\$ 888,700	\$ 468,500	\$ (847,000)
Customer Service Charges	23,185,000	25,504,000	28,054,000	30,859,000	33,945,000
Other Revenue 2.	1,118,000	1,163,000	1,210,000	1,258,000	1,308,000
Use of Money and Property	549,000	560,000	571,000	582,000	594,000
Additional Revenue from Rate Adjustments 1.	2,319,000	2,550,000	2,805,000	3,086,000	3,395,000
Total Revenue	28,989,220	32,281,300	33,528,700	36,253,500	38,395,000
ESTIMATED EXPENDITURES					
Salaries and Benefits 2.	\$ 5,149,000	\$ 5,355,000	\$ 5,569,000	\$ 5,792,000	\$ 6,024,000
Other Operating Expenditures 3.	905,000	932,000	960,000	989,000	1,019,000
Resources and Production 4.	15,809,000	17,548,000	19,478,000	21,621,000	23,999,000
Internal Service Fund Allocations 3.	2,240,000	2,307,000	2,376,000	2,447,000	2,520,000
Contribution-in-Lieu of Taxes	1,359,000	1,489,000	1,632,000	1,789,000	1,962,000
Utility Capital Improvements	3,527,220	4,650,300	3,513,700	3,615,500	2,871,000
Total Expenditures	28,989,220	32,281,300	33,528,700	36,253,500	38,395,000
TOTAL AVAILABLE REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -

1. Assumes 10% per year increases in rates.

2. Assumes 4% per year increases.

3. Assumes 3% per year increases.

4. Assumes agency projections for wholesale rates and 1% per year increases in use.

**CITY OF SANTA CLARA
SEWER UTILITY
REVENUE AND EXPENDITURE PROJECTIONS**

ESTIMATED REVENUE	Fiscal Year				
	2009 - 10	2010 - 11	2011-12	2012-13	2013-14
Transfers From (To) Reserves	\$ 3,174,900	\$ (2,302,200)	\$ (1,143,870)	\$ (152,000)	\$ 1,428,000
Customer Service Charges & Fees	15,286,000	17,732,000	19,682,000	21,847,000	24,250,000
Sewer Connection Fees	1,000,000	1,100,000	1,100,000	1,200,000	1,400,000
Use of Money and Property	756,000	629,000	721,000	767,000	773,000
Bonds	7,000,000				
Additional Revenue from Rate Adjustments (1)	2,293,000	1,773,000	1,968,000	2,185,000	2,425,000
Total Revenue	29,509,900	18,931,800	22,327,130	25,847,000	30,276,000
ESTIMATED EXPENDITURES					
Salaries and Benefits (2)	\$ 1,940,000	\$ 1,998,000	\$ 2,058,000	\$ 2,120,000	\$ 2,184,000
Other Operating Expenditures	257,000	267,000	278,000	289,000	301,000
Resources and Production	7,315,000	8,388,000	10,772,000	12,380,000	14,404,000
Internal Service Fund Allocations	1,121,000	1,166,000	1,213,000	1,262,000	1,312,000
Contribution-in-Lieu of Taxes	910,000	1,000,000	1,111,000	1,233,000	1,365,000
Utility Capital Improvements (3)	16,766,900	4,312,800	5,095,130	6,763,000	8,910,000
Debt Service	1,200,000	1,800,000	1,800,000	1,800,000	1,800,000
Total Expenditures	29,509,900	18,931,800	22,327,130	25,847,000	30,276,000
TOTAL AVAILABLE REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Assumes 15% increase in FY09/10, and 10% through FY 13/14

(2) Assumes 3% per year increase.

(3) Capital projects will require debt financing.

**CITY OF SANTA CLARA
CEMETERY
REVENUE AND EXPENDITURE PROJECTIONS**

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
ESTIMATED REVENUE *					
Sales-Facilities	\$ 167,200	\$ 183,920	\$ 202,312	\$ 222,543	\$ 244,798
Sales-Labor	270,600	297,660	327,426	360,169	396,185
Sales-Care	500	500	500	500	500
Sales-Material	185,900	204,490	224,939	247,433	272,176
Use of Money and Property	49,785	49,785	51,278	52,303	54,919
Loan from General Contingency Reserve	148,332	148,332	111,680	69,448	20,726
Total Revenue	822,317	884,687	918,135	952,396	989,304
ESTIMATED EXPENDITURES *					
Salaries and Benefits	\$ 565,274	\$ 582,232	\$ 599,699	\$ 617,690	\$ 636,221
Other Operating Expenditures	117,360	120,881	124,507	128,242	132,090
Internal Service Fund Allocations	126,985	133,334	140,001	147,001	154,351
Improvements	12,698	12,698	13,080	12,720	13,356
Total Expenditures	822,317	849,145	877,287	905,654	936,018
TOTAL AVAILABLE REVENUE	\$ -	\$ 35,542	\$ 40,848	\$ 46,742	\$ 53,287

* Includes Cemetery Operating Fund 093. Does not include Cemetery Capital Projects Fund 593.



Appendix B

Assumptions and Projections



NATIONAL ECONOMIC ASSUMPTIONS**Table 1 (a)**

	2009	2010	2011	2012	2013
Real GDP (% Change)	2.8	3.1	3.1	3.1	3.1
10 Year Treasury Rate	4.9	5.2	5.2	5.2	5.2
U. S. Unemployment Rate	5.4	4.9	4.9	4.9	4.9
U. S. CPI (% Change)	2.3	2.2	2.2	2.2	2.2

LOCAL ECONOMIC & DEMOGRAPHIC ASSUMPTIONS**Table 1 (b)**

	2009	2010	2015
Santa Clara Population	116,560	117,800	124,700
Santa Clara Total Jobs	107,264	107,850	116,900
Bay Area CPI (% Change)	3.0	3.0	3.0

SELECTED CITY PROJECTIONS**Table 1 (c)**

	2009	2010	2015
Persons Per Household	2.63	2.64	2.63
Total number of Households	43,990	44,610	47,330
Total employed residents	58,078	60,230	66,070
Mean Household Income *	\$89,440	\$90,600	\$96,600

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Appendix C

Miscellaneous Statistical Information



**City of Santa Clara
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)**

Table 1

Fiscal Year				
Ending June 30	Assessed Valuation	Debt Limit- 15% of Assessed Valuation*	Debt Applicable to Limit	Legal Debt Margin
1997 / 98	\$12,037,517	\$1,805,628	\$76,830	\$1,728,798
1998 / 99	13,138,392	1,970,759	20,000	1,950,759
1999 / 00	14,207,950	2,131,193	20,000	2,111,193
2000 / 01	15,288,558	2,293,284	10,096	2,273,284
2001 / 02	18,224,346	2,733,652	20,000	2,723,556
2002 / 03	19,320,514	2,898,077	20,000	2,878,077
2003 / 04	18,925,445	2,838,817	20,000	2,818,817
2004 / 05	17,972,599	2,695,890	20,000	2,675,890
2005 / 06	18,702,210	2,805,332	20,000	2,785,332
2006 / 07	20,365,381	3,054,807	20,000	3,034,807

Notes: * Section 1309 of the City Charter of the City states: "Bonded Debt Limit.

The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen percent (15%) of the total assessed valuation of property within the City, exclusive of revenue bonds or any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending, or maintaining municipally owned utilities for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to the provisions of the State Constitution and this Charter."

Sources: Santa Clara County, Department of Finance
City of Santa Clara

CITY OF SANTA CLARA
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Table 2

Fiscal Year Ending June 30	Net Local Secured Roll	SBE (2)	Net Unsecured Roll	Net Assessed Valuation (1)	Estimated Actual Value	Ratio of Assessed Value To Estimated Value	% of Growth of Assessed Valuation	Total Direct Tax Rate
1997 / 98	\$8,949,286	3,327	\$3,084,904	\$12,037,517	\$12,424,530	96.89%	11.87%	1.0852%
1998 / 99	\$10,088,177	3,425	\$3,046,790	\$13,138,392	\$13,250,246	99.16%	9.15%	1.0920%
1999 / 00	\$10,879,040	2,632	\$3,326,278	\$14,207,950	\$14,320,454	99.21%	8.14%	1.0629%
2000 / 01	\$11,822,175	2,497	\$3,463,886	\$15,288,558	\$15,400,547	99.27%	7.61%	1.0605%
2001 / 02	\$13,744,409	2,554	\$4,477,383	\$18,224,346	\$18,335,454	99.39%	19.20%	1.0792%
2002 / 03	\$15,110,520	2,861	\$4,207,133	\$19,320,514	\$19,429,970	99.44%	6.01%	1.0712%
2003 / 04	\$15,283,368	2,803	\$3,639,274	\$18,925,445	\$19,033,631	99.43%	-2.04%	1.0738%
2004 / 05	\$14,978,836	2,471	\$2,991,292	\$17,972,599	\$18,081,181	99.40%	-5.03%	1.0824%
2005 / 06	\$15,663,135	1,756	\$3,037,319	\$18,702,210	\$18,813,195	99.41%	4.06%	1.1467%
2006 / 07	\$17,458,047	1,605	\$2,905,729	\$20,365,381	\$20,478,830	99.45%	8.89%	1.1383%

Notes: (1) Full cash value

(2) Beginning in fiscal 1989, Chapter 921 of the Statutes of 1987 requires the establishment of a single County-wide tax rate area for the assignment of the assessed value of certain types of State-assessed utility property.

Source: Santa Clara County, Department of Finance

CITY OF SANTA CLARA
Principal Property Tax Payers
2006-07 and 2002-03 Comparison for General Fund
(In Thousands)

Table 3

Organization	2006-07		2002-03	
	Revenue in <u>Thousands</u>	Percent of Total	Revenue in <u>Thousands</u>	Percent of Total
Intel Corporation	\$ 1,619	8.70%	\$ 1,409	9.83%
Applied Materials Inc.	472	2.54%	537	3.75%
Kaiser Foundation Hospital	190	1.02%		
Sun Microsystems, Inc.	181	0.97%	259	1.81%
National Semiconductor Corporation	174	0.93%	195	1.36%
Agilent Technologies Inc.	173	0.93%	204	1.42%
Nvidia Corporation	143	0.77%		
Sobrato Development Company	139	0.74%	311	2.17%
Marvell Technology, Inc.	136	0.73%		
Ellis Middlefield Business Park, L.P.	109	0.59%		
Rivermark Partners LLC			178	1.24%
3Com Corporation			159	1.11%
Exodus Communications Inc.			147	1.03%
BRE San Tomas LLC			132	0.92%
Mission West Properties, L.P.				
Silicon Valley California, LLC				
Top Ten Total	\$ 3,336	17.92%	\$ 3,531	24.64%
 City Total	 <u><u>\$ 18,612</u></u>		 <u><u>\$ 14,333</u></u>	

Source: Santa Clara County Assessor 2006/07 Combined Tax Rolls through HdL Coren & Cone.
Additional years of historical data are not available

CITY OF SANTA CLARA
Principal Private Employers
Current Year and Five Years Ago

Table 4

Company	2007		2003	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Intel Corporation	5,700	11.2%	8,000	15.6%
National Semiconductor Inc.	5,100	10.0%	2,000	3.9%
Advanced Cardiovascular Systems	4,200	8.3%		
Sun Microsystems, Inc.	3,500	6.9%	3,500	6.8%
Coast Personnel	2,000	3.9%	1,895	3.7%
Nortel Networks	1,895	3.7%		
Kaiser Foundation Hospitals	1,500	2.9%		
Coherent Inc.	1,500	2.9%		
Iseva Inc.	1,200	2.4%		
Guidant Corp.	1,082	2.1%		
Agilent Technologies			3,000	5.8%
Sanmina-SCI Corp.			1,500	2.9%
3Com Corporation			1,000	1.9%
Integrated Device Technology			1,000	1.9%
NEC Electronics			1,200	2.3%
Analog Devices			900	1.8%
Total Top Ten	27,677	54.3%	23,995	46.6%
All Others	24,823	45.7%	27,305	53.4%
Total Employment	52,500	100.0%	51,300	100.0%

Sources: City of Santa Clara The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

2003-2006 Northern California Business Directory

California Employment Development Department

CITY OF SANTA CLARA
Capital Assets Statistics by Function
Last Five Fiscal Years

Table 5

	Fiscal Year Ending June 30				
	2007	2006	2005	2004	2003
Culture and Recreation:					
Number of community centers	4	4	4	4	4
Number of parks	32	31	30	30	28
Park acreage	282	282	277	277	265
Number of golf courses	1	1	1	1	1
Number of swimming pools	4	4	4	4	4
Number of tennis courts	28	28	27	27	27
Number of lawn bowling greens	1	1	1	1	1
Number of lighted soccer fields	3	3	3	3	0
Number of lighted softball fields	7	7	7	7	7
Number of neighborhood park buildings	8	8	8	8	8
Number of gymnastic centers	1	1	1	1	1
Number of skate parks	1	1	1	1	1
Number of community theaters	1	1	1	0	0
Number of libraries	2	2	2	2	2
Cemetery	2	2	2	2	2
Fire Protection:					
Number of stations	10	10	10	10	10
Police Protection:					
Number of stations	2	2	2	2	2
Electric System:					
Number of meters	50858	50069	49775	48753	48489
Miles of high voltage lines	479	479	477	475	471
Number of substations	16	16	14	14	14
Sewerage System:					
Miles of sanitary sewers	282	282	282	277	275
Miles of storm sewers	138	138	138	137	137
Number of treatment plants	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary	1 Tertiary
Water System:					
Miles of water mains	335	334	301	301	298
Number of fire hydrants	3261	3249	3249	3143	3143
Miles of recycled water mains	20	19	19	19	19
Streets:					
Miles of Streets	249	249	249	248	248
Number of Street Lights	8181	8179	8170	8163	8171
Number of Traffic Signals	187	184	182	178	175

Source: City of Santa Clara Annual Budget 2006-2007 The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

CITY OF SANTA CLARA Demographic and Economic Statistics Last Ten Calendar Years							
							Table 6
As of June 30	Population (1)	Personal Income (2) (\$000)	Per Capita Buying Income	Median Age	Public School Enrollment	County Unemployment Rate	City Unemployment Rate
1997 / 98	100,030	\$1,991,697	\$19,911	33.5	14,098	3.0%	2.8%
1998 / 99	101,877	2,169,160	21,292	33.7	14,182	3.2%	3.0%
1999 / 00	102,682	2,319,073	22,585	34.1	14,338	3.0%	2.8%
2000 / 01	102,895	2,482,753	24,129	34.3	14,308	2.0%	1.9%
2001 / 02	104,616	2,920,983	27,921	34.5	13,565	4.5%	4.2%
2002 / 03	104,306	2,818,661	27,023	34.2	13,321	8.4%	7.9%
2003 / 04	105,831	2,677,383	25,282	35.2	13,188	8.2%	7.7%
2004 / 05	107,200	2,720,598	26,465	35.7	13,839	6.2%	5.9%
2005 / 06	109,106	2,765,258	26,513	35.3	13,317	5.5%	4.8%
2006 / 07	110,771	3,831,569	34,590	-	13,366	5.0%	4.3%

Note: (-) Data unavailable

Sources: (1) Population and the Unemployment Rate are provided by California Department of Finance Projections.

(2) FY 2006-07 Income Data is determined using 2005 American Community Survey Data and adjusted for inflation in accordance with rates provided by the Bureau of Labor Statistics. Prior years are from Sales & Marketing Power Management- Survey Of Buying Power and previously published CAFR reports

2006-07 Source: MuniServices, LLC

CITY OF SANTA CLARA
Ratios of Outstanding Debt by Type
Last Five Fiscal Years
(In Thousands)

Table 7

Governmental Activities					Redevelopment Agency	Business Activities	Total Primary Government	Population	Debt per Capita	Total Personal Income (\$000)	Debt/Income Ratio
Public Financing Authority											
Fiscal Year Ending June 30	Certificates of Participation	Insurance Funding Bonds	Assessment Bonds	Total Governmental Activities	Tax Allocation Bonds	Tax Allocation Bonds					
2002 / 03	\$ 72,895	\$ 20,000	\$ 8,240	\$ 101,135	\$ 159,727	\$ 132,646	\$ 393,508	104,306	\$ 3,773	\$ 2,818,661	13.96%
2003 / 04	70,010	20,000	7,490	97,500	151,214	280,609	529,323	105,831	5,002	2,677,383	19.77%
2004 / 05	66,725	20,000	6,700	93,425	141,938	275,360	510,723	107,200	4,764	2,720,598	18.77%
2005 / 06	63,345	20,000	5,875	89,220	140,225	269,883	499,328	109,106	4,577	2,765,258	18.06%
2006 / 07	59,850	20,000	5,015	84,865	135,325	258,015	478,205	110,771	4,317	3,831,569	12.48%

Sources: Note 11, Note 2; Statement of Net Assets; MuniServices LLC

The City implemented the new reporting model in fiscal year 2001-2002. Until 10 years of data are available, only the available years will be presented.

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Appendix D

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